

HOUSE BILL REPORT

SHB 1823

As Passed Legislature

Title: An act relating to assisting the economic development of underserved rural communities by assisting an owner or operator that has discontinued using an underground petroleum storage tank.

Brief Description: Assisting the economic development of underserved rural communities by assisting an owner or operator that has discontinued using an underground petroleum storage tank.

Sponsors: By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kretz, Serben, McCune, Armstrong, Rodne, Buri, Clements, Cox, Sump, Haler, Pettigrew, Grant, Holmquist, Walsh, Strow, Haigh and Kristiansen).

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/24/05, 3/1/05 [DPS];

Appropriations: 3/5/05 [DPS(FII)].

Floor Activity:

Passed House: 3/10/05, 94-0.

Passed Senate: 4/14/05, 39-0.

Passed Legislature.

Brief Summary of Substitute Bill

- Recognizes that closing of local gas stations adversely affects local economies by reducing or eliminating access to fuel for recreational needs.
- Provides for a grant, in an amount up to \$200,000, to an owner or operator of a petroleum underground storage tank located in an underserved rural area where use of the tank has been discontinued due to economic hardship.
- Authorizes use of up to \$1 million from the Pollution Liability Trust Account for such grants.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 11 members: Representatives Kirby, Chair; Ericks, Vice Chair; Roach, Ranking

Minority Member; Tom, Assistant Ranking Minority Member; Newhouse, Santos, Schual-Berke, Serben, Simpson, Strow and Williams.

Staff: CeCe Clynch (786-7168).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Financial Institutions & Insurance be substituted therefor and the substitute bill do pass. Signed by 28 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, Miloscia, Pearson, Priest, Schual-Berke, Talcott and Walsh.

Staff: Alicia Paatsch (786-7178).

Background:

In response to serious environmental problems posed by petroleum underground storage tanks (USTs), federal and state laws were enacted which required that these USTs be upgraded or replaced. This posed a serious problem for rural communities in particular because, although emergency vehicles and school buses relied upon rural gas stations for fuel, rural gas stations often did not generate the profit necessary to upgrade or replace the USTs. In 1991, the Pollution Liability Insurance Agency (PLIA) was directed by the Legislature to establish the UST Community Assistance Program (USTCAP).

Owners and operators of the UST's in rural areas who could demonstrate serious financial hardship and who were certified by the local government as meeting a vital local government, public health, or safety need were eligible for grants to enable continued operation. There were 112 grants awarded by the PLIA to privately owned businesses, local government entities, and rural hospitals which met the criteria established by the Legislature. Of these, 99 were rural gas stations or convenience stores with gas stations.

The maximum amount of grant money available to a single owner or operator through the program was \$150,000. No more than \$75,000 could be spent on remediation or contamination. Construction on all of the grant sites was completed in 1995 but the PLIA continues to oversee them. According to the terms of the grants, a 15 year lien was placed on any privately owned business receiving these moneys to ensure that these businesses continued to provide the service to the community that had been the purpose behind the program. If a grantee complies with the terms of the grant for a period of 15 years, at the end of that 15 year period the PLIA will sign a release of the lien.

The PLIA and its programs, including the USTCAP, do not receive state general funds. Rather, funding comes from two sources: (1) a pollution liability fee imposed on dealers making sales of heating oil to a homeowner or other consumer which is deposited into the

Heating Oil Pollution Liability Trust Account; and (2) an excise tax on the wholesale value of petroleum which is deposited into the Pollution Liability Trust Account. A total of \$15 million from the Pollution Liability Trust Account was made available for the USTCAP.

Summary of Substitute Bill:

It is recognized that the closing of gas stations in rural communities adversely affects local economies by reducing access to fuel for *recreational* needs as well as agricultural, commercial, and transportation needs as was stated in the original legislation.

The criteria for financial assistance for the USTCAP is revised to provide for an owner or operator of an UST who has discontinued use of the tank due to economic hardship. Such an owner or operator is eligible for a \$200,000 grant for each retailing location if the property:

1. is located in an underserved rural area;
2. was previously used by a private owner or operator to provide motor vehicle fuel; and
3. is at least 10 miles from the nearest motor vehicle fuel service station.

Such an owner or operator must comply with the requirements previously imposed upon other private owners or operators receiving assistance through the USTCAP, such as: applying for insurance and requesting financial assistance in a form and manner required by the PLIA; obtaining from the local government a determination that operation of the tanks meets a vital local government, or public health or safety need; and qualifying for the PLIA insurance coverage if such financial assistance were to be provided. In consideration of the grant, the owner or operator must also agree to sell petroleum products to the public, maintain the tank site for retail sale of petroleum products for at least 15 years, sell to local government entities on a negotiated cost-plus basis, and comply with all financial and environmental responsibilities.

From the pollution liability insurance trust account, \$1 million is designated for the biennium year ending July 1, 2007 to carry out the purpose of assisting an owner or operator meeting the above stated criteria.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (Financial Institutions & Insurance) There are some areas where residents have to drive 50 miles for gas. This impacts agricultural, residential, and recreational opportunities. Emergency services suffer. There is money in the Pollution Insurance Account that will cover the costs of this program. Enabling these very rural stations to once again sell gas will help the economy and provide jobs. Ten years ago, owners and operators of 112 underground storage tanks were helped in this way. Just as was done then, a lien will be placed on these operations which will be removed in 15 years if gas is still being sold there at that time. This is not cost-free for the owners and operators. They must still get insurance and

sign agreements with their suppliers. A small gas station 10 miles away can really help ranchers who might otherwise have to travel 50 miles for gas. Many people have requested that these out of the way former stations sell gas again. The administrative costs to the PLIA will be in the form of charges for engineers and other experts needed to inspect the old tanks and determine what sort of clean up is necessary. There is agreement with respect to a couple technical amendments.

Testimony For: (Appropriations) This is a good economic development bill and I appreciate your consideration. This is exactly the type of program that this tax was envisioned for. The tax is one half of a cent per gallon of petroleum products and is used to clean-up oil tanks. The original program was established for rural gas stations as well.

Testimony Against: (Financial Institutions & Insurance) None.

Testimony Against: (Appropriations) None.

Persons Testifying: (Financial Institutions & Insurance) Representative Kretz, prime sponsor; Roger Dovel, Washington State Pollution Liability Insurance Agency; Chad Henneman, Cattle Producers of Washington; Jack Hogan, Bonaparte Lake Resort; and Charlie Brown, Washington Oil Marketers Association.

Persons Testifying: (Appropriations) Representative Kretz, prime sponsor; and Greg Hanon, Western States Petroleum Association.

Persons Signed In To Testify But Not Testifying: (Financial Institutions & Insurance) None.

Persons Signed In To Testify But Not Testifying: (Appropriations) None.